

VZCZCXRO0441
PP RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHUP #0392/01 1080842
ZNY CCCCC ZZH
P 170842Z APR 08
FM AMEMBASSY BUDAPEST
TO RUEHC/SECSTATE WASHDC PRIORITY 2821
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 03 BUDAPEST 000392

SIPDIS

SIPDIS

DEPARTMENT FOR EUR/NCE; PLEASE PASS TO NSC FOR ADAM STERLING

E.O. 12958: DECL: 04/13/2013

TAGS: [PGOV](#) [ECON](#) [KDEM](#) [HU](#)

SUBJECT: BELABORING THE POINT: COALITION CRISIS IN SLOW
MOTION

Classified By: P/E COUNSELOR ERIC V. GAUDIOSI; REASONS 1.4 (B) AND (D)

¶1. (C) Summary: Although the governing coalition continues to move through what one observer has termed "the slowest-moving crisis in history," both insiders and outside observers believe that several possible scenarios are gradually emerging. They include a protracted period of minority government, a rapprochement between the MSzP and SzDSz, and a resort to the appointment of an "apolitical expert" as Prime Minister. Though a constitutionally remote prospect and widely regarded as "assisted suicide" by both the MSzP and the SzDSz, new elections also continue to factor into discussions. MSzP insiders believe Prime Minister Gyurcsany could hang on or walk away, but agree that his impulsive and opaque style means he will likely give little advance notice of his intentions in either event. His rivals in the MSzP may band together to deny him the right to make the decision, but for now the party's intentions remain opaque. End Summary.

MORE OF THE SAME (

¶2. (C) Despite a reportedly bruising session of the MSzP's executive leadership this weekend, Prime Minister Gyurcsany is widely regarded as a fighter and many predict he will not go quietly. Former SzDSz President Gabor Kuncze) no admirer of the Prime Minister) still believes a weaker minority government led by a weakened Gyurcsany government is the most likely scenario. The PM continues to talk about "reform without austerity," and the government is reportedly moving forward with plans to replace the outgoing SzDSz Ministers. As Political Scientist Zoltan Kiszelly commented, "Gyurcsany's weakest day is still better than (former PM) Medgyessey's strongest day." That said, Gyurcsany has left himself some latitude with repeated statements that he would step down if he becomes "the problem." As one critic retorted, "after all, it's not as if he needs the money."

¶3. (C) As Kuncze explains and even MSzP MP Vilmos Szabo admits, the Socialists have few viable leadership alternatives. The most likely successors from the party's core, Defense Minister Imre Szekeres, Cabinet Minister Peter Kiss, and Parliamentary Speaker Katalin Szili, are dismissed by one SzDSz MP as "the communist, the coward, and the clown."

ONLY DIFFERENT?

¶4. (C) But they may yet have the last laugh. Following another tense meeting of the MSzP executive this weekend, Szekeres intimated to us that "Gyurcsany could stay on another two years (or walk away in another two weeks." The PM, he concludes, "simply doesn't care," and Szekeres believes "whatever happens will come as a surprise" given the complete lack of consultation between Gyurcsany and other party leaders. If Gyurcsany does step down, Szekeres adds,

there is already an informal agreement that Szekeres and Peter Kiss will divide the Prime Ministership and the Party Presidency.

15. (C) Ironically, Szekeres' conjecture dovetails in part with Viktor Orban's. The FIDESZ leader believes Gyurcsany's days are numbered, judging that "the people would not believe a miracle if Gyurcsany were the one who delivered it." He believes the PM will not be able to rebound from a reform agenda that alienated his own party base, and dismisses a minority government as an invitation to scandal as the MSzP would have to "buy votes on every bill." Ultimately, he doubts that any MSzP PM will have the public trust to survive in the longer term.

16. (C) Sources inside the MSzP beg to differ. Former Chief of Staff Zoltan Gal concedes that Gyurcsany may have "only 20 percent of the party leadership and only half the MPs," but emphasizes that he still has the loyalty of "80 percent of the grass roots." Although Gal has privately advised Gyurcsany to "put all options on the table," he thinks a minority government could function as more than an interim measure. (Note: Former Minister of Justice and Law Enforcement Albert Takacs agrees, estimating that Hungary could make due with "20 pieces of legislation a year instead of 120." End Note.) Gal also believes the PM would continue to hold the MSzP Presidency even if he steps down as PM, thus giving him the opportunity to "rebuild the party" (and even to return as the Prime Ministerial candidate in 2010.

(UN)HAPPILY (RE)MARRIED?

17. (C) Despite Koka's public line that the SzDSz's return to the coalition is "inconceivable," Kuncze believes an agreement is still a possibility ... though not necessarily

BUDAPEST 00000392 002 OF 003

under their present leadership. Although Gyurcsany's departure could provide the SzDSz with the means to return to the coalition, Kuncze admits that the problem goes beyond personalities: there is no MSzP leader more likely to pursue the reforms on which the SzDSz insists.

18. (C) Kuncze minimizes talk around town of the MSzP "buying enough SzDSz votes to maintain a narrow majority" as "false confidence," but others believe MSzP threats to dismiss lower-level SzDSz appointees from their patronage positions could cause some to blink. There is already an emerging conflict in Budapest, with the central government taking its time in response to SzDSz Mayor Demsky's request for support to continue the city's controversial metro expansion project.

19. (C) Kuncze strongly suspects that Minister of Environment Fodor would broker a new coalition agreement if he wins the June SzDSz party elections, and MDF Party President Ibolya David believes the MSzP will wait in hopes of a Fodor victory. Fodor has privately expressed his anger at the current impasse, describing the situation as "bad for the party, bad for the coalition, bad for the government, and bad for the people." He intimated that he is in contact with the MSzP, and Kuncze believes Fodor would even consider leading a small core of his supporters out of the SzDSz and into coalition with the MSzP if he loses the upcoming party elections. "Then we'll find out," he concludes with asperity, "what you get when you mix Reds with a Green."

110. (C) Orban believes a rapprochement between the MSzP and the SzDSz is an option, hinting that Socialist Parliamentary Faction Leader Ildiko Lendvai is already working to broker an agreement. He allows that a new coalition might become possible with a new Prime Minister, but in his view the SzDSz only has a matter of weeks in which it could return, and then only with the pretext of a new partner and a new partnership accord. This timelines tracks with the judgment of both corporate players and MSzP insiders, who continue to press

for a new agreement before the end of April.

A BRAND NEW (PUNCHING) BAG?

¶11. (C) The third broad option is the appointment of an "apolitical expert" as Prime Minister. While truly apolitical experts are hard to find, contacts across the spectrum believe that a respected figure) ideally from outside government) could govern until the next elections on a platform of "crisis management."

¶12. (C) National Bank President Simor's name is most often mentioned in this regard, but Orban believes that "you can't imagine how many Hungarians would kill to be PM only for only matter of hours." Other names in circulation are former Finance Minister Bekesi and Agriculture Minister Graf, both of whom are respected and regarded as having no personal political ambitions.

¶13. (C) Kuncze believes an "apolitical government" is the best option, noting that an outsider could arrive at a "cease-fire" to move forward on key reforms. He admits, however, that it is the least likely scenario given the degree of political gridlock.

SURRENDER DOROTHY

¶14. (C) Early elections continue to loom over the entire debate. Though constitutionally restricted to extraordinary circumstances that one MSzP member likened to "assisted suicide," some FIDESZ members believe the public will insist on "a new start and not just a new face." They make the case that the Socialists should prefer "a loss now to annihilation later."

¶15. (C) Orban tells us that he believes early elections after a failed attempt at minority government are more likely than two years of limbo, putting the odds at 50 percent. In his mind, the government's current straits are about the MSzP's "historic decline" as well as the Prime Minister's political decisions. With voters frustrated and investors nervous, he believes the MSzP will see that it has no chance of winning back an alienated base and no option but to abandon ship in order to "reinvent itself." By his own admission, however, Orban still has "no clear way" to arrive at his preferred outcome.

AVOIDANCE GOALS

¶16. (C) Comment: With his decision-making notoriously impulsive and his inner circle rapidly shrinking, it is more

BUDAPEST 00000392 003 OF 003

difficult than ever to divine Gyurcsany's intentions. (As Kuncze commented, "Gyurcsany always loved to play favorites) it's just that now the only favorite left is himself.") The PM is, in our view, capable of hanging on or of walking away, and likely to keep his own counsel until the last minute in either case. As Szekeres' comments indicate, others in the party are considering life without Gyurcsany. Still, the atmosphere within the MSzP strikes us as curiously resigned to a period of suspended animation. Indeed, some Socialist MPs continue to suspect that the entire spectacle has been "arranged" between Gyurcsany and Koka. Public opinion polls, meanwhile, continue to show that the public expects - but does not prefer - minority government. The idea of an "outsider" taking over is gaining currency, motivated in no small part by the MSzP's belief (and the SzDSz's concurrence) that early elections) their opposition's first choice - remain their third rail. End Comment.

FOLEY